

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 1876 - HB 2231**

March 12, 2014

**SUMMARY OF BILL:** Removes the requirement that the Basic Education Program (BEP) funding formula recognize the ability of local jurisdictions to raise local revenue by measuring their ability to generate local revenue from property tax and local option sales tax. Requires the BEP funding formula to use the fiscal capacity index developed by the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) for all local education agencies (LEAs) within a county. Requires BEP appropriations that constitute the baseline for future funding to be re-set by aligning the baseline with the funding that is appropriated for the 2013-14 academic year.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures –**

**\$50,009,000/FY14-15/BEP**

**Exceeds \$50,009,000/FY15-16 and Subsequent Years/BEP**

**Increase Local Revenue –**

**\$50,009,000/FY14-15/State BEP funding**

**Exceeds \$50,009,000/FY15-16 and Subsequent Years/  
State BEP funding**

**Assumptions:**

- Currently the BEP fiscal capacity index is a hybrid model, in which the TACIR model comprises 50 percent of the index, and the University of Tennessee's Center for Business and Economic Research (CBER) model comprises the remaining 50 percent.
- Currently the BEP baseline amount is equal to the amount of BEP appropriations made for FY06-07 plus appropriations in FY06-07 for BEP cost component increases.
- Based on information from the Department of Education (DOE), using the TACIR model as the fiscal capacity index will increase state BEP expenditures by \$50,009,000 in FY14-15. It is assumed that state BEP expenditures will exceed this amount in FY15-16 and subsequent years.
- An estimated 103 LEAs will receive additional state BEP funding. Local revenue, from state BEP funding, will increase \$50,009,000 in FY14-15 and will exceed this amount in FY15-16 and subsequent years.

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- According to DOE, the required local BEP formulaic match will increase for 26 LEAs as a result of this bill. However, all of these systems are currently contributing sufficiently above the required local BEP required match, so there would be no increase in local expenditures.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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